



**ANNUAL FINANCIAL STATEMENTS**

**30 June 2010**

# HIBISCUS COAST MUNICIPALITY

## INDEX

Table of Contents	Page
1 Approval of the Annual Financial Statements	2
2 Accounting policies	7
3 Statement of financial position	18
4 Statement of financial performance	19
5 Statement of changes in net assets	20
6 Cash flow statement	21
7 Notes to the annual financial statements	22
Appendices	
A Schedule of external loans	47
B Analysis of property, plant and equipment	48
C Segmental analysis of property, plant and equipment	49
D Segmental statement of financial performance	50
E1 Actual versus budgeted revenue and expenditure	51
F Disclosures of grants and subsidies	52

# HIBISCUS COAST MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS AT 30 JUNE 2010

I am responsible for the preparation of these annual financial statements, which are set out on **pages 7 to 52** in terms of section 126 (1) of the Municipal Finance Management Act, 2003. (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in **note 26** of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998 ) and the Minister of Provincial and Local Government's determination in accordance with this Act.

**SW Mkhize**

**Municipal Manager**

**HIBISCUS COAST MUNICIPALITY  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2010**

**1. BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices, including any interpretations of such Statements issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by the Standard of GRAP

The accounting policies applied are consistent with those used to present the previous year's financial statements. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION OF CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least 12 months.

**1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality

GRAP 18 Segment Reporting - issued April 2006  
GRAP 21 Impairment of non-cash generating assets - Issued March 2009  
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008  
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007  
GRAP 26 Impairment of cash-generating assets - issued March 2009  
GRAP 103 Heritage Assets - issued July 2008

These standards are not expected to have a material impact for the municipality.

**1.5 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year the change is made retrospectively as far as practicable and prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year the adjustment is made retrospectively as far as practicable and prior year comparatives are restated accordingly.

**2 NET ASSETS**

The accumulated surplus / (deficit) consists of the following reserves:

- Capital Replacement Reserve (CRR)
- Capitalisation Reserve
- Donations and Public Contributions Reserve
- Accumulated Surplus / (Deficit) due to the results of operations

## **2.1 CAPITAL REPLACEMENT RESERVE**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in accordance with the budget approval and Council resolution. The CRR is reduced and accumulated surplus/(Deficit) is credited by corresponding amount when the amounts in the CRR are utilised.

The municipality is not required to make compulsory contributions to the CRR. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

## **2.2 CAPITALISATION RESERVE**

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(Deficit) in terms of the directive (Budget circular) issued by the National Treasury. The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(Deficit). When the item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(Deficit).

## **2.3 DONATIONS AND PUBLIC CONTRIBUTIONS RESERVE**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Budget Circular) issued by the National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and promote budgetary control by ensuring that sufficient funds are set aside to offset future depreciation that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from Donations and Public Contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

## **2.4 GOVERNMENT GRANT RESERVE**

When items of Property, Plant and Equipment are financed from Government Grant Reserve, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (Budget Circular) issued by the National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and promote budgetary control by ensuring that sufficient funds are set aside to offset future depreciation that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from Government Grant.

When an item of Property, Plant and Equipment financed from Government Grant is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

## **3 HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, 1997 (No. 107 of 1997). Loans from national and provincial government used to finance house selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

House selling schemes, both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the said Act, all proceeds from housing developments, including rental income and sales of houses must be paid into the Housing Development Fund. Monies standing to the credit of this account can only be used to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Committee responsible for housing.

## 4 PROPERTY, PLANT AND EQUIPMENT

### 4.1 INITIAL RECOGNITION

Property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses except land and building that is not depreciated as it is deemed to have an indefinite useful life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (Major components) of property, plant and equipment

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, if the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Items of property, plant and equipment which are acquired at no cost or for a nominal cost are recognised at their fair value.

### 4.2 SUBSEQUENT MEASUREMENT-COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits

### 4.3 SUBSEQUENT MEASUREMENT-REVALUATION MODEL (LAND AND BUILDING)

Land and buildings were revalued to their market value by making use of the municipality's general valuation roll. Properties were valued in accordance with generally recognised valuation practices, methods and standards and the provisions of the Municipal Property Rates Act.

### 4.4 DEPRECIATION AND IMPAIRMENT

Depreciation is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to Council.

Land is not depreciated as it is deemed to have an indefinite life

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

Asset	Years
<b>Infrastructure</b>	
Roads and Paving	30
Pedestrian Malls	30
Electricity	20 - 30
Water	15 - 20
Sewerage	15 - 20
Housing	30
<b>Community</b>	
Improvements	30
Recreational Facilities	20 - 30
Security	5

Asset	Years
<b>Other</b>	
Buildings	30
Specialist Vehicles	10
Other Vehicles	5
Office Equipment	3 - 7
Furniture and Fittings	7 - 10
Watercraft	15
Bins and Containers	5
Specialised Plant and Equipment	10 - 15
Other Plant and Equipment	2 - 5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### 4.5 INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

#### 4.6.DERECOGNITION

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount and recognised in the Statement of Financial Performance.

### 5 INTANGIBLE ASSETS

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

#### 5.1 AMORTISATION AND IMPAIRMENT

Amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 2 to 7 years.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

### 6 INVESTMENT PROPERTY

Investment property includes (Land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and /or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods and services, or the sale of an asset in the ordinary course of operations.

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from the change in the fair value of the property is included in surplus or deficit for the period it arises.

### 7 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 8 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## FINANCIAL INSTRUMENTS

The municipality initially classifies financial instruments ,on initial recognition as a financial asset or financial liability in accordance with the substance of the contractual agreement.

### 9.1 INITIAL RECOGNITION

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

### 9.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost (Other). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP standard on financial instruments, is in accordance with IAS 39.

#### FINANCIAL ASSETS

The municipality classifies its financial assets according to the following categories:

- Financial Assets at Fair Value through Profit or Loss
- Held-to Maturity Investments
- Loans and Receivables
- Available For sale

#### FINANCIAL LIABILITIES

The municipality measures all financial liabilities, including trade and other payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings and other non-current liabilities.

#### 9.2.1 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: Loans and receivables and recognised at fair value and subsequently carried at amortised cost. Amortised costs refers to the initial carrying amount ,plus interest ,less repayments and impairments. An estimate is made for doubtful receivables based on analysing and review the top 40% (Rand value) of debtors in detail. The recoverability of debt owing by each debtor in the top 40% is assessed and the irrecoverable amount is provided for. The remaining 60% of debtors is classified based on category and area. Each classification is analysed and based on their circumstances, the recoverability is determined and the irrecoverable amounts are provided for. The sum of these calculations constitute the year's provision for impairment. No provision is calculated for government debt and property rates as these cannot be written off.

An impairment of trade receivable is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses.

#### 9.2.2 INVESTMENTS

Financial assets, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as held-to-maturity and are measured at amortised cost.

Where investment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

#### 9.2.3 CASH AND CASH EQUIVALENT

Cash includes cash on hand and cash with banks. Bank balances are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdraft.

#### 9.2.4 TRADE AND OTHER PAYABLES

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised costs which is the initial carrying amount less repayment plus interest. Finance costs are accounted for using the effective interest rate method.

#### 9.2.5 LOANS FROM MUNICIPALITIES AND DBSA

They are categorised as financial liabilities held at amortised cost and are initially recognised at fair value. Subsequently ,these financial liabilities are measured at amortised cost which is the initial carrying amount less repayment plus interest.



### 9.3 IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date an assessment is made whether there is any objective evidence of impairment of financial assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39. Where financial assets have been impaired, the carrying amount are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

Long term receivables and other debtors are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Long term receivables and other debtors are recognised initially at cost which represents fair value. Management's opinion is that the carrying value of long-term receivables recorded in the financial statements approximate their fair values. In determining the recoverability of a long-term receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision in excess of the provision for impairment. The impairment recognised represents the difference between the carrying amount of these receivables and the present value of the expected proceeds. The municipality does not hold collateral over the balances.

## 10 REVENUE RECOGNITION

### 10.1 REVENUE FROM EXCHANGE TRANSACTIONS

#### 10.1.1 SERVICE CHARGES

Service charges for electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and the revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced. Adjustments to provisional estimates and recognition of the amended revenue arising from this, is made in the invoicing period in which the meters are read. Revenue from sale of electricity prepaid meter cards is recognised in the period in which the sale is recorded.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Refuse costs are also recovered through the medium of the general rate levied on building valuations.

#### 10.1.2 INTEREST EARNED

Interest is recognised on a time proportion basis.

#### 10.1.3 INCOME FROM LEASES

Income arising from leases is accrued in the year in which it is earned and is based on signed leases regulated by legislation in force. Lease receipt and lease payments have been straight-lined in accordance with the provisions of IAS17.

#### 10.1.4 TARIFF OF CHARGES

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

#### 10.1.5 INCOME FROM AGENCY SERVICES

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### 10.1.6 SALE OF GOODS

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

The amount of revenue can be measured reliably.

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

## **10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

### **10.2.1 REVENUE FROM ASSESSMENT RATES**

Revenue from assessment rates is recognised when the legal entitlement arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

### **10.2.2 REVENUE FROM SPOT FINES AND SUMMONSES**

Revenue from the collection of spot fines and summonses is recognised when payment is received. It is impracticable to make a fair estimation of the fines receivable since the Justice process allows a court to determine the final fine payable on individual cases based on merit and there is no consistency from one case to another.

### **10.2.3 DONATIONS AND CONTRIBUTIONS**

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

### **10.2.4 CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement and there is reasonable assurance that the grant will be received. To the extent that the criteria, conditions or obligations have been met, a liability is recognised.

### **10.2.5 REVENUE FROM RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **11 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

The municipality does not recognise a contingent liability or contingent assets. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an outflow of economic benefits is probable.

### **11.1 STAFF LEAVE COMMITMENTS**

Provision is made for the value of leave owing to employees at the financial year end based on the current salary remuneration packages.

### **11.2 LANDFILL SITE REHABILITATION**

The municipality has an obligation to rehabilitate its landfill site. The best estimate of the rehabilitation of the landfill site has been determined and the provision to be raised is based on the present value at the Statement of Financial Position date.

## **12 POST EMPLOYMENT BENEFITS**

### **12.1 DEFINED BENEFIT PLANS**

The municipality obtains Actuarial valuations for its defined benefits plans liabilities. The Post-employment benefits that were identified are Post-retirement Health Care Benefits and Long-Service Awards Benefits. The estimated liabilities are recorded in accordance with the requirement of IAS 19. Details of the liabilities and key assumptions made by actuaries in estimating the liabilities are provided in note 4 to the annual financial statements.

## **13 LEASES**

### **13.1 MUNICIPALITY AS A LESSEE**

#### **13.1.1 FINANCE LEASE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of an item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

#### **13.1.2 OPERATING LEASE**

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

### **13.2 MUNICIPALITY AS A LESSOR**

#### **13.2.1 OPERATING LEASE**

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

### **14 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

The consolidated annual financial statements incorporate the financial statements of the municipal entity and its fully controlled subsidiary. Control is achieved where the municipality has the power to govern the financial and operating policies of an entity in order to obtain economic benefits from its operations.

Where necessary, adjustment are made to the financial statements of a subsidiary to align its accounting policy with those of the controlling entity.

Inter-group transactions, balances, income and expenses are eliminated in full on consolidation

### **15 VALUE ADDED TAX**

Value added taxation on revenue and expenditure transactions are recorded in the books of the Council on the accrual basis of accounting. However the South African Revenue Services has registered and permitted the municipality to use the payments basis for determining the monthly amounts due to or from the South African Revenue Services.

### **16 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **17 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **18 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**HIBISCUS COAST MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010**

	Notes	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets(Community Wealth)</b>		<b>836 745 634</b>	<b>794 025 669</b>
Accumulated Surplus	1	807 707 104	734 128 170
Housing Development Fund	2	29 038 530	59 897 499
<b>Non-Current Liabilities</b>		<b>50 564 040</b>	<b>50 260 638</b>
Long Term Liabilities	4	13 951 343	21 615 444
Retirement Benefits	5	36 333 000	28 272 041
Long Service Awards and Retirement Gifts	6	279 697	373 153
<b>Current Liabilities</b>		<b>213 976 528</b>	<b>249 291 613</b>
Current Portion of Long -term Liabilities	4	5 578 010	5 012 312
Current Portion of Retirement Benefits	5	975 000	817 000
Current Portion of Long Service Awards and Retirement Gifts	6	437 401	583 360
Consumer Deposits	7	14 469 609	7 418 005
Trade Payables and Other Payables from Exchange Transactions	8	79 268 027	59 281 920
Provisions	9	29 486 470	24 893 307
Unspent Conditional Grants and Receipts	10	83 634 276	151 239 291
Operating Lease Liability	11	127 735	46 418
<b>Total Net Assets and Liabilities</b>		<b>1 101 286 202</b>	<b>1 093 577 919</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>824 787 907</b>	<b>781 124 023</b>
Property, Plant and Equipment	12	747 402 182	677 680 861
Intangible Assets	13	820 838	1 064 254
Investment Property Carried at Fair Value	14	59 718 087	59 718 087
Housing Selling Units	2	46 892	13 389 329
Long- term Receivables	15	16 799 908	29 271 492
<b>Current Assets</b>		<b>276 498 295</b>	<b>312 453 899</b>
Current Portion of Long -term Receivables	15	1 062 207	3 930 417
Inventory	16	3 324 152	2 496 281
Trade and Other Receivables from Exchange Transactions	17	80 617 979	70 893 289
Short - term Investment Deposits	18	183 145 000	220 475 970
Bank and Cash Equivalents	19	8 348 957	14 657 942
<b>Total Assets</b>		<b>1 101 286 202</b>	<b>1 093 577 922</b>

**HIBISCUS COAST MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

Budget			Actual	
2009	2010	Notes	2010 R	2009 R
<b>REVENUE</b>				
176 381 985	207 510 747	Property Rates	211 263 526	200 525 410
70 000	240 000	Property Rates-Penalties and Collection Charges	69 933	56 959
61 966 085	73 931 844	Service Charges	85 474 434	62 002 538
1 953 695	2 085 055	Rental of Facilities and Equipment	2 168 011	1 935 631
14 600 000	16 000 000	Interest Earned:External Investments	11 311 897	15 460 695
9 564 044	9 000 000	Interest Earned:Outstanding Debtors	9 530 247	8 871 331
3 878 854	3 060 000	Fines	4 431 518	3 890 196
4 210 735	4 731 000	Licences and Permits	5 118 840	4 137 101
2 397 310	2 700 000	Income from Agency Services	2 916 056	2 623 417
65 779 788	66 450 800	Government Grants and Subsidies	155 703 490	78 844 204
10 612 809	9 357 449	Other Income	14 502 703	10 257 448
<b>351 415 305</b>	<b>395 066 895</b>	<b>Total Revenue</b>	<b>502 490 655</b>	<b>388 604 930</b>
<b>EXPENDITURE</b>				
153 235 667	176 140 130	Employee Related Costs	193 210 760	155 556 998
13 105 031	15 615 678	Remuneration of Councillors	13 932 113	13 041 736
4 150 000	5 180 000	Contribution to Bad Debts	6 057 131	11 339 284
15 051 638	26 000 000	Depreciation and Amortisation	39 146 953	26 464 061
31 415 155	27 312 638	Repairs and Maintenance	24 254 889	29 489 794
7 108 860	3 530 000	Interest Paid	1 834 975	2 479 931
27 490 385	36 080 068	Bulk Purchases	35 870 394	27 192 084
18 535 601	17 557 023	Contracted Services	16 438 765	17 652 472
7 146 500	7 544 001	Grants and Subsidies Paid	17 596 977	6 344 971
78 871 615	98 089 693	General Expenses	76 969 977	69 462 599
1 907 478	2 300 000	Audit Fees	2 268 588	1 820 557
35 000	35 000	Write Down of Obsolete Inventory	218 473	36 795
5 457 500	3 400 000	Contribution to Landfill Site Rehabilitation	3 140 000	2 573 680
26 000	26 000	Loss on Disposal of Assets	54 244	25 573
15 000 000	12 000 000	Financen Costs- Discounting of Receivables	11 011 895	14 506 474
150 000	150 000	Impairment Loss- PPE	92 824	148 549
<b>378 686 430</b>	<b>430 960 231</b>	<b>Total Expenditure</b>	<b>442 098 958</b>	<b>378 135 558</b>
<b>-</b>	<b>-</b>	<b>SURPLUS FOR THE PERIOD</b>	<b>60 391 697</b>	<b>10 469 372</b>
Refer to Appendix E(1) For Explanation of Variances				

**HIBISCUS COAST MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010**

Details	Housing Development Fund	Revaluation Reserve	Accumulated Surplus / (Deficit)					Total
			Capital Replacement Reserve	Government Grant Reserve	Capitalisation Reserve	Donations and Public Contr Reserve	Accumulated Surplus/(Deficit) Account	
<b>2009</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance at 30 June 2008</b>	59 598 180	435 727 255	28 247 633		26 077 765	3 794 395	70 145 356	<b>623 590 584</b>
Change in Accounting Policy (Note 43)				135 152 050				135 152 050
PPE Not brought in previous year(Note 44)							36 044 636	36 044 636
<b>Restated balance</b>	<b>59 598 180</b>	<b>435 727 255</b>	<b>28 247 633</b>	<b>135 152 050</b>	<b>26 077 765</b>	<b>3 794 395</b>	<b>106 189 992</b>	<b>794 787 270</b>
Surplus/(Deficit) for the year	(2 091 304)						10 469 372	8 378 068
Offsetting of Depreciation		(5 929 515)		(3 354 537)	(7 172 351)	(21 336)	16 477 739	-
Property, Plant and Equipment purchased	(6 533 261)		(31 457 803)				31 457 803	(6 533 261)
Grants utilised to obtain PPE				2 694 641			(2 694 641)	-
Accounting for Housing Sundry Debtors	5 529 593						(5 529 593)	-
Transfer of Interest on Housing Investments	3 394 291						(3 394 291)	-
Disposal of Assets		(11 983 290)	-	(51 965)	(476 117)	-	9 245 069	(3 266 302)
Contribution to Reserves			30 000 000				(30 000 000)	-
<b>Balance at 30 June 2009</b>	<b>59 897 499</b>	<b>417 814 450</b>	<b>26 789 830</b>	<b>134 440 189</b>	<b>18 429 297</b>	<b>3 773 059</b>	<b>132 881 344</b>	<b>794 025 669</b>
<b>2010</b>								
Change in Accounting Policy (Note 43)								
Restated Balance	<b>59 897 499</b>	<b>417 814 450</b>	<b>26 789 830</b>	<b>134 440 189</b>	<b>18 429 297</b>	<b>3 773 059</b>	<b>132 881 344</b>	<b>794 025 669</b>
Surplus/(Deficit) for the year							60 391 697	60 391 697
Offsetting of Depreciation		(3 974 294)	(4 956 926)	(1 602 373)	(65 874)	(116 460)	10 715 927	-
PPE Purchased			(3 885 805)				3 885 805	-
Transfer of interest on Housing Investments	1 834 778							1 834 778
Contribution to Reserves			30 000 000				(30 000 000)	
Transfers from Housing Development Fund	(32 693 747)							(32 693 747)
Other movements							13 187 238	13 187 238
Grants utilised to obtain PPE								-
<b>Balance at 30 June 2010</b>	<b>29 038 530</b>	<b>413 840 156</b>	<b>47 947 099</b>	<b>132 837 816</b>	<b>18 363 423</b>	<b>3 656 599</b>	<b>191 062 011</b>	<b>836 745 634</b>

**HIBISCUS COAST MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from Ratepayers, Government and Other		430 737 382	364 932 800
Cash paid to Suppliers and Employees		(392 095 614)	(243 236 401)
<b>Cash generated from / (utilised in) Operations</b>	<b>33</b>	<b>38 641 768</b>	<b>121 696 399</b>
Interest received	<b>22</b>	20 842 144	24 332 026
Interest paid	<b>28</b>	(1 834 975)	(2 479 931)
<b>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>57 648 937</b>	<b>143 548 494</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	<b>12</b>	(109 279 623)	(71 828 249)
Purchase of Intangible Assets	<b>13</b>	(112 656)	-
Proceeds from Sale of Assets		20 050	-
Decrease / (Increase) in Investments	<b>18</b>	37 330 970	(72 264 938)
Decrease / (Increase) in Long-term Receivables	<b>15</b>	15 339 794	6 889 936
<b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(56 701 465)</b>	<b>(137 203 251)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans repaid	<b>4</b>	(7 256 456)	(4 414 580)
Deferred Income Raised/(Realised)	<b>3</b>		(711 861)
Increase/(decrease) in consumer deposits	<b>7</b>		250 885
<b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>(7 256 456)</b>	<b>(4 875 556)</b>
<b>NET INCREASE/(DECREASE) IN BANK AND CASH EQUIVALENTS</b>		<b>(6 308 984)</b>	<b>1 469 688</b>
Cash and Cash Equivalents at the beginning of the year	<b>19</b>	14 657 941	13 188 253
Cash and Cash Equivalents at the end of the year	<b>19</b>	8 348 957	14 657 941

**HIBISCUS COAST MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010 R	2009 R
<b>1. ACCUMULATED SURPLUS</b>		
<b>The Accumulated Surplus consists of the following Reserves:</b>		
Capital Replacement Reserve (CRR)	47 947 099	26 789 830
Capitalisation Reserve	18 363 423	18 429 297
Donations and Public Contributions Reserve	3 656 599	3 773 059
Government Grant Reserve	132 837 816	134 440 189
Accumulated Surplus / (Deficit) due to the results of Operations	191 062 011	132 881 344
Revaluation Reserve	413 840 156	417 814 450
<b>Total Accumulated Surplus</b>	<b>807 707 104</b>	<b>734 128 170</b>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity.

The **Government Grant Reserve** equals the carrying amount of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures community wealth and is not backed by cash.

**2. HOUSING DEVELOPMENT FUND**

Housing Development Fund represented by:

Debtors	-	18 850 824
Housing Inventory	46 892	13 389 329
Housing Investments	28 991 638	34 190 607
Capital expenditure for the year	-	(6 533 261)

<b>29 038 530</b>	<b>59 897 499</b>
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The **Housing Development Fund** has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter.

**3. DEFERRED REVENUE**

**Deferred Revenue** has been restated to adhere to the provisions of GRAP 9, in accounting for assets acquired from Government Grants. Refer to note 43 on Change in Accounting Policy for the details of restatement.

**4. LONG TERM LIABILITIES**

Local Registered Stock Loans	150 000	150 000
Annuity Loans	18 644 707	24 725 566
Long term Loans - Capitalised Lease liabilities	576 592	1 752 189
<b>Sub-Total</b>	<b>19 371 299</b>	<b>26 627 755</b>

Less : Current portion transferred to current liabilities

	<b>5 578 010</b>	<b>5 012 312</b>
Local Registered Stock Loans	150 000	150 000
Annuity Loans	4 851 418	3 784 263
Capitalised Leases	576 592	1 078 049

**Total Long-Term Liabilities**

<b>13 793 289</b>	<b>21 615 444</b>
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#### 4.1 Summary of Arrangements

##### Annuity Loans

Bear interest at rates between 13.47% and 20.25% per annum, are being redeemed in monthly instalments, inclusive of interest, over varying periods until 2017. Annuity loans are not secured.

##### Capitalised Lease Liabilities

Capitalised Lease Liabilities relates to Vehicles with lease terms of 5 or 10 (2008: 5 or 10) years. The effective interest rate on Finance Leases is between 11.5% and 12,93% (2008: 10,21 to 11,53%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

##### Fair Value Impairments

The management of the municipality is of the opinion that the carrying value of Long term liabilities approximates their fair value. Long term loans are recorded at the actual liability to loan creditors. No impairment, if any has been necessary as redemptions have been made in accordance with loan agreements and interest rates are in accordance with market rates at the time of receiving the funding.

#### 4.2 Obligations under Finance Leases

##### The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2010 R	2009 R	2010 R	2009 R
Within one year	576 592	1 228 321	576 592	1 228 321
In the second to fifth years, inclusive	-	576 592	-	576 592
Over five years	-	-	-	-
	<b>576 592</b>	<b>1 804 913</b>	<b>576 592</b>	<b>1 804 913</b>
Less: Future Finance Obligations	-	52 724	-	52 724
Present Value of the Minimum Lease Obligations	<b>576 592</b>	<b>1 752 189</b>	<b>576 592</b>	<b>1 752 189</b>

The municipality has finance lease agreements for the following significant class of assets:

- Vehicles

#### 5. RETIREMENT BENEFIT LIABILITIES

##### Post Retirement Medical Aid Benefits Liability

Balance at beginning of Year	29 089 000	27 707 869
Contributions to Provision	8 219 000	1 381 172
Increase due to Discounting	-	-
Expenditure incurred	-	-
Reduction due to Re-measurement	-	-
Balance at end of Year	<b>37 308 000</b>	<b>29 089 041</b>
Transfer to Current Provisions	(975 000)	(817 000)
<b>Total Post-retirement Medical Aid Benefits Liability</b>	<b>36 333 000</b>	<b>28 272 041</b>

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Independent Actuarial Consultants, Fellow of the Faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Medical Aid Benefit Plan

In-service Members (Employees)	402	377
Continuation Members (Retirees, widowers and orphans)	77	73
<b>Total Members</b>	<b>479</b>	<b>450</b>

The liability in respect of past service has been estimated as

In-service Members	17 167 796	12 587 472
Continuation Members	20 140 241	16 501 569
<b>Total Liability</b>	<b>37 308 037</b>	<b>29 089 041</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Global Health
- LA Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R1 643 000, whereas the interest cost for the year after is estimated to be R3 373 000.

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount rate	9.04%	8.90%
Health Care Cost Inflation Rate	5.40%	7.30%
Net Effective Discount Rate	1.53%	1.50%
Expected Retirement Age	65	65

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of unfunded obligations	37 308 037	29 089 041
Fair value of plan assets	-	-
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-

**Total Benefit Liability**

<b>37 308 037</b>	<b>29 089 041</b>
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**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	1 137 000	975 000
Interest cost	2 589 000	2 944 944
Expected return on plan assets	-	-
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	5 310 000	(1 269 772)
Vested past service costs	-	-
Losses / (Gains) arising from curtailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-

**Total Post-retirement Benefit included in Employee Related Costs**

<b>9 036 000</b>	<b>2 650 172</b>
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**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	29 089 041	27 707 869
Current service costs	1 137 000	975 000
Interest cost	2 589 000	2 944 944
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(817 000)	(1 269 000)
Actuarial losses / (gains) recognised	5 310 000	(1 269 772)
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-

**Present Value of Fund Obligation at the end of the Year**

<b>37 308 041</b>	<b>29 089 041</b>
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**Movements in the present value of the Defined Benefit Assets were as follows:**

Balance at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions from the employer	817 000	1 269 000
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(817 000)	(1 269 000)
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-

**Balance at the end of the year**

<b>-</b>	<b>-</b>
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**The history of experienced adjustments is as follows:**

	2010 R	2009 R	2008 R	2007 R	2006 R
Present Value of Defined Benefit	37 308 041	29 089 041	27 707 869	20 997 996	20 497 871
Fair Value of Plan Assets	-	-	-	-	-
<b>Deficit</b>	<b>37 308 041</b>	<b>29 089 041</b>	<b>27 707 869</b>	<b>20 997 996</b>	<b>20 497 871</b>
Experienced adjustments on Plan	5 310 000	-	(1 269 772)	-	-
Experienced adjustments on Plan	-	-	-	-	-

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	2 032 000	1 431 000
Effect on the defined benefit obligation	43 309 000	33 857 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 347 000	913 000
Effect on the defined benefit obligation	32 444 000	25 236 000

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of IAS 19, *Employee Benefits*, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2010.

#### 6. LONG SERVICE AWARDS AND RETIREMENT GIFTS LIABILITY

Balance at beginning of year	373 153	1 279 607
Contributions to Provision	343 945	(323 094)
Increase due to Discounting	-	-
Expenditure incurred	-	-
Reduction due to Re-measurement	-	-
Balance at end of Year	717 098	956 513
Transfer to Current Provisions	(437 401)	(583 360)
<b>Total Long Service Awards and Retirement Gifts Liability</b>	<b>279 697</b>	<b>373 153</b>

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Independent Actuarial Consultants, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The employees eligible for long service awards are made up as

Male	53	75
Female	31	28
<b>Total Members</b>	<b>84</b>	<b>103</b>

The Future-service Cost for the ensuing year is estimated to be R48 547, whereas the interest cost for the year after is estimated to be R64 834 .

#### The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.90%	10.97%
General Salary Inflation (long term)	5.30%	9.03%
Net Effective Discount Rate	2.45%	1.78%
Expected Retirement Age	65	65

#### The amounts recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	717 098	956 513
Fair value of plan assets	-	-
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
<b>Total Benefit Liability</b>	<b>717 098</b>	<b>956 513</b>

#### The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	65 696	47 791
Interest cost	85 130	111 697
Expected return on plan assets	-	-
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	193 211	256 725
Vested past service costs	-	-
Losses / (Gains) arising from curtailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Total Post-retirement Benefit included in Employee Related Costs</b>	<b>344 037</b>	<b>416 213</b>

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	956 513	1 279 607
Current service costs	65 696	47 791
Interest cost	85 130	111 697
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(583 360)	(739 307)
Actuarial losses / (gains) recognised	193 211	256 725
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-

**Present Value of Fund Obligation at the end of the Year**

<b>717 190</b>	<b>956 513</b>
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**Movements in the present value of plan assets were as follows:**

Balance at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions from the employer	583 360	739 307
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(583 360)	(739 307)
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-

**Balance at the end of the year**

<b>-</b>	<b>-</b>
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**The history of experienced adjustments is as follows:**

	2010 R	2009 R	2008 R	2007 R	2006 R
Present Value of Obligation	717 190	956 513	1 279 607	5 616 732	-
Fair Value of Plan Assets	-	-	-	-	-
<b>Deficit</b>	<b>717 190</b>	<b>956 513</b>	<b>1 279 607</b>	<b>5 616 732</b>	<b>-</b>
Experienced adjustments on Plan	193 211	256 725	-	-	-
Experienced adjustments on Plan	-	-	-	-	-

The effect of a 1% movement in the assumed rate of general salary inflation is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	70 250	71 347
Effect on the defined benefit obligation	777 098	1 035 975

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	59 931	60 607
Effect on the defined benefit obligation	662 957	884 608

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of IAS 19, *Employee Benefits*, paragraph 15(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability has been recognised as at 30 June 2010.

**7. CONSUMER DEPOSITS**

Consumer Deposits	14 469 609	7 418 005
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**Total Consumer Deposits**

<b>14 469 609</b>	<b>7 418 005</b>
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Guarantees held in lieu of electricity deposits

<b>1 299 712</b>	<b>1 000 632</b>
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No interest is paid on consumer deposits held

**8. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade and Other Payables from Exchange Transactions	1 241 822	4 264 505
Deposits - other	7 079 120	12 779 863
Accruals	15 209 255	1 133 015
Retentions	15 221 216	7 748 551
Southbroom/Ramsgate UIP	299 890	830 352
Payments received in advance - Trade Receivables	18 188 578	17 378 566
Outstanding cheques at end of the year	22 028 146	14 550 038

**Total Creditors**

<b>79 268 027</b>	<b>58 684 890</b>
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The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of invoice. The municipalities has financial risk policies in place to ensure that all payables are paid within the credit time frame.

## 9. PROVISIONS

Staff leave	10 116 670	8 663 507
Landfill Site Rehabilitation	19 369 800	16 229 800
<b>Total Provisions</b>	<b>29 486 470</b>	<b>24 893 307</b>

**Staff leave** accrue to the staff on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The best estimate for **Rehabilitation of Landfill Site** has been determined. The provision is based on the present value at the Statement of Financial Position date.

The movement in current provision can be reconciled as follows:

### 30 June 2010

	<b>Landfill Site R</b>	<b>Staff Leave R</b>
Balance at beginning of year	16 229 800	8 663 507
Contribution to provision	3 140 000	1 453 163
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>19 369 800</b>	<b>10 116 670</b>

### 30 June 2009

Balance at beginning of year	13 656 120	8 743 598
Adjustments to provision	-	(80 091)
Contribution to provision	2 573 680	-
<b>Balance at end of year</b>	<b>16 229 800</b>	<b>8 663 507</b>

## 10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### 10.1 Conditional Grants from Other Spheres of Government

	<b>79 988 662</b>	<b>150 036 892</b>
MIG grants	56 243 375	66 968 845
Housing grants	19 937 414	19 303 286
Finance management grants	349 461	426 086
Disaster management grant	3 058 413	62 938 675
Credit management grant	400 000	400 000

### 10.2 Other Conditional Receipts

Other Grants	<b>3 645 614</b>	<b>1 202 399</b>
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### Total Unspent Conditional Grants and Receipts

<b>83 634 276</b>	<b>151 239 291</b>
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See Note 23 for the reconciliation of Grants from Other Spheres of Government

Refer to Appendix "F" for more details on Conditional Grants

## 11 OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on a straight line basis as required by GRAP 13. The following Operating Lease Liabilities have been recognised:

Balance at Beginning of year	46 418	195 457
Operating Lease expenses recorded	797 356	341 913
Operating Lease payments effected	(716 039)	(490 952)
<b>Total Operating Lease Liabilities</b>	<b>127 735</b>	<b>46 418</b>

### 11.1 Leasing Arrangements

#### The Municipality as Lessee

Operating Leases relates to property, plant and equipment with lease term no longer than 5 years, with an option to extend for further period. The municipality does not have an option to purchase the leased asset at the end of the lease term.

### 11.2 Amount payable under Operating Leases

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Within one year	6 136 039	9 683 679
Later than one year	7 376 306	14 298 246
Later than five years	-	-
<b>Total Operating Lease Arrangement</b>	<b>13 512 345</b>	<b>23 981 925</b>

Operating Lease payments represent rentals payable by the municipality for properties and equipment

The lease was negotiated for periods ranging from 36 months to 119 months. The rentals escalate between 8% and 11%. No contingent rent is payable.

**HIBISCUS COAST MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**12 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2010**

**Reconciliation of Carrying Amount**

Description	Land and Buildings	Infra-structure	Community	Other	Heritage	Capitalised Leased Assets	Housing Schemes	Total
<b>Carrying values at 01 July 2009</b>	<b>337 365 203</b>	<b>218 426 480</b>	<b>75 677 436</b>	<b>27 260 752</b>	<b>213 006</b>	<b>1 981 472</b>	<b>16 756 512</b>	<b>677 680 861</b>
Cost	31 779 074	275 159 061	72 605 924	78 847 828	231 106	97 764 426	24 185 589	580 573 008
- Completed Assets	31 688 974	223 007 151	66 823 653	78 645 940	231 106	97 764 426	23 002 810	521 164 060
- Under Construction	90 100	52 151 910	5 782 271	201 888	-	-	1 182 779	59 408 948
Correction of Error	-	-	-	-	-	-	-	-
Revaluation	316 556 624	22 677 984	26 353 407	-	-	-	-	365 588 015
Reclassification	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(10 970 495)	(79 410 565)	(23 281 895)	(51 587 076)	(18 100)	(7 794 954)	(7 429 077)	(180 492 162)
- Cost	(6 976 370)	(70 736 917)	(19 822 433)	(51 587 076)	(18 100)	(7 794 954)	(7 429 077)	(164 364 927)
- Revaluation	(3 994 125)	(8 673 648)	(3 459 462)	-	-	-	-	(16 127 235)
Acquisitions	67 748	78 315 731	17 807 578	4 151 951	25 980	-	-	100 368 988
Capital under Construction - Additions	1 400 000	7 031 353	479 282	-	-	-	-	8 910 635
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	(3 351 774)	(26 181 144)	(3 269 385)	(5 424 663)	-	(337 680)	582 307	(37 982 339)
- Based on Cost	(223 606)	(26 181 144)	(2 423 259)	(5 424 663)	-	(337 680)	582 307	(34 008 045)
- Based on Revaluation	(3 128 168)	-	(846 126)	-	-	-	-	(3 974 294)
Impairment Losses	-	-	-	92 824	-	-	-	92 824
Capital under Construction - Additions	35 100	38 666 820	3 856 414	201 888	-	-	1 182 779	43 943 001
Other Movements: Disposals	-	-	-	(494 968)	-	-	-	(494 968)
- Cost	-	(114 591)	-	(15 907 703)	-	-	-	(16 022 294)
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	114 591	-	15 412 735	-	-	-	15 527 326
- Based on Cost	-	114 591	-	15 412 735	-	-	-	15 527 326
- Based on Revaluation	-	-	-	-	-	-	-	-
<b>Carrying values at 01 July 2010</b>	<b>335 481 177</b>	<b>277 592 420</b>	<b>90 694 911</b>	<b>25 400 248</b>	<b>238 986</b>	<b>1 643 792</b>	<b>16 174 205</b>	<b>747 225 739</b>
Cost	33 246 822	360 391 554	90 892 784	67 092 076	257 086	9 776 426	24 185 589	585 842 337
- Completed Assets	31 791 822	339 875 111	88 487 645	67 092 076	257 086	9 776 426	24 185 589	561 465 755
- Under Construction	1 455 000	20 516 443	2 405 139	-	-	-	-	24 376 582
Revaluation	316 556 624	22 677 984	26 353 407	-	-	-	-	365 588 015
Accumulated impairment:	-	-	-	(92 824)	-	-	-	(92 824)
Accumulated Depreciation:	(14 322 269)	(105 477 118)	(26 551 280)	(41 599 004)	(18 100)	(8 132 634)	(8 011 384)	(204 111 789)
- Cost	(7 199 976)	(96 803 470)	(22 245 692)	(41 599 004)	(18 100)	(8 132 634)	(8 011 384)	(184 010 260)
- Revaluation	(7 122 293)	(8 673 648)	(4 305 588)	-	-	-	-	(20 101 529)

**30 June 2009**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Other	Heritage	Capitalised Leased Assets	Housing Schemes	Total
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying values at 01 July 2008</b>	<b>351 905 987</b>	<b>134 642 318</b>	<b>69 105 375</b>	<b>30 799 956</b>	<b>234 646</b>	<b>3 073 474</b>	<b>17 560 843</b>	<b>607 322 599</b>
Cost	32 253 726	174 662 214	62 809 342	79 306 849	234 646	9 776 426	24 186 254	383 229 458
- Completed Assets	32 253 726	169 907 482	62 438 086	79 306 849	234 646	9 776 426	23 003 475	376 920 690
- Under Construction	-	4 754 732	371 257	-	-	-	1 182 779	6 308 768
Revaluation	327 031 030	22 677 984	26 353 407	-	-	-	-	376 062 421
Reclassification	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(7 378 769)	(62 697 880)	(20 057 374)	(48 506 893)	-	(6 702 952)	(6 625 411)	(151 969 280)
- Cost	(6 381 683)	(55 009 375)	(17 476 359)	(48 506 893)	-	(6 702 952)	(6 625 411)	(140 702 674)
- Revaluation	(997 086)	(7 688 505)	(2 581 015)	-	-	-	-	(11 266 606)
Acquisitions	95 974	9 669 819	4 431 602	4 530 673	-	-	-	18 728 068
Capital under Construction - Additions	90 100	47 397 179	5 411 014	201 888	-	-	-	53 100 180
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	(3 635 083)	(9 299 119)	(3 256 291)	(6 873 634)	(18 100)	(1 092 002)	(803 856)	(24 978 084)
- Based on Cost	(638 044)	(8 313 976)	(2 377 844)	(6 873 634)	(18 100)	(1 092 002)	(803 856)	(20 117 455)
- Based on Revaluation	(2 997 039)	(985 143)	(878 447)	-	-	-	-	(4 860 628)
Carrying value of Disposals:	(11 091 775)	(28 352)	(14 265)	(638 545)	(3 540)	-	(475)	(11 776 953)
- Cost	(660 726)	(97 839)	(46 035)	(4 431 996)	(3 540)	-	(665)	(5 240 801)
- Revaluation	(10 474 406)	-	-	-	-	-	-	(10 474 406)
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	43 357	69 487	31 770	3 793 451	-	-	190	3 938 254
- Based on Cost	43 357	69 487	31 770	3 793 451	-	-	190	3 938 254
- Based on Revaluation	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2009</b>	<b>337 365 203</b>	<b>182 381 845</b>	<b>75 677 435</b>	<b>28 020 338</b>	<b>213 006</b>	<b>1 981 472</b>	<b>16 756 512</b>	<b>642 395 811</b>
Cost	31 779 074	231 631 373	72 605 923	79 607 414	231 106	9 776 426	24 185 589	449 816 905
- Completed Assets	31 688 974	179 479 463	66 823 653	79 405 526	231 106	9 776 426	23 002 810	390 407 957
- Under Construction	90 100	52 151 910	5 782 271	201 888	-	-	1 182 779	59 408 948
Revaluation	316 556 624	22 677 984	26 353 407	-	-	-	-	365 588 015
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(10 970 495)	(71 927 512)	(23 281 895)	(51 587 076)	(18 100)	(7 794 954)	(7 429 077)	(173 009 109)
- Cost	(6 976 370)	(63 253 865)	(19 822 433)	(51 587 076)	(18 100)	(7 794 954)	(7 429 077)	(156 881 875)
- Revaluation	(3 994 125)	(8 673 648)	(3 459 462)	-	-	-	-	(16 127 234)

Refer to Appendices "B and C" for more detail on Property, Plant and Equipment, including those in the course of construction.

**HIBISCUS COAST MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
<b>12 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>12.1 Impairment on Property Plant and Equipment</b>		
Impairment of Property, Plant and Equipment was taken into consideration by the consultants, PriceWaterHouseCoopers, during the process of identifying, componentising and measuring immovable assets.		
<b>12.2 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:</b>		
The Remaining Useful Life of property, plant and equipment was taken into consideration by the consultants, PriceWaterhouseCoopers, during the process of identifying, componentising and measuring immovable assets. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.		
<b>13. INTANGIBLE ASSETS</b>	<b>Intangible Assets R</b>	<b>Total R</b>
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>820 838</b>	<b>820 838</b>
The movement in Intangible Assets is reconciled as follows:		
<b>Carrying amount at 30 June 2009</b>	<b>1 064 253</b>	<b>1 064 253</b>
Gross Carrying Amount	2 251 372	2 251 372
Accumulated Amortisation	(1 187 119)	(1 187 119)
Additions	112 656	112 656
Amortisation during the Year	(356 070)	(356 070)
Disposals during the Year:	-	-
<b>Carrying amount at 30 June 2010</b>	<b>820 838</b>	<b>820 838</b>
Gross Carrying Amount	2 364 027	2 364 027
Accumulated Amortisation	(1 543 189)	(1 187 119)
<b>Carrying amount at 30 June 2008</b>	<b>1 214 883</b>	<b>1 214 883</b>
Gross Carrying Amount	2 057 197	2 057 197
Accumulated Amortisation	(842 315)	(842 315)
Additions	194 175	194 175
Amortisation during the Year	(344 804)	(344 804)
Disposals during the Year:	-	-
<b>Carrying amount at 30 June 2009</b>	<b>1 064 254</b>	<b>1 064 254</b>
Gross Carrying Amount	2 251 372	2 251 372
Accumulated Amortisation	(1 187 119)	(1 187 119)
The amortisation expense has been included in the line item in the " Depreciation and Amortisation " in the Statement of Financial Performance(See note 27)		
<b>13.1 Significant Intangible Assets</b>		
Significant Intangible assets that did not meet recognition criteria for Intangible Assets in terms of IAS 38 is the following: Website costs have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.		
Refer to Appendix "B" for more details on Intangible Assets		
<b>14. INVESTMENT PROPERTY- AT FAIR VALUE</b>	<b>Investment Property R</b>	<b>Total R</b>
<b>Carrying amount at 30 June 2009</b>	<b>59 718 087</b>	<b>59 718 087</b>
Additions	-	-
Transfers to / from Property, Plant and Equipment	-	-
Fair value adjustment	-	-
Disposals	-	-
<b>Carrying amount at 30 June 2010</b>	<b>59 718 087</b>	<b>59 718 087</b>



**Carrying amount at 30 June 2008**

Additions
Transfers to / from Property, Plant and Equipment
Fair value adjustment
Disposals

**60 859 621**

-
-
(1 141 534)
-

**59 718 087**

Investment Property consist of :

Various land and building and the fair value of investment property as disclosed was based on a valuation by an independent valuer, E-Valuations, who holds a recognised and relevant professional qualification and has recent experience in the category of the valued investment properties. The most recent valuation was performed on 1 July 2008.

**15. LONG TERM RECEIVABLES**

	<b>Gross Balance R</b>	<b>Provision for Bad Debt R</b>	<b>Net Balance R</b>
<b>As at 30 June 2010</b>			
Ugu District Municipality	17 813 633	-	17 813 633
Housing Loans	48 482	-	48 482
	<b>17 862 115</b>	<b>-</b>	<b>17 862 115</b>

Less: Short-term portion transferred to Current Assets

Ugu District Municipality	<b>1 062 207</b>
Housing Loans	1 056 572
	5 635

**Total Long-term Receivables****16 799 908****As at 30 June 2009**

Ugu District Municipality	20 436 444	-	20 436 444
Housing Loans	12 765 465	-	12 765 465
	<b>33 201 909</b>	<b>-</b>	<b>33 201 909</b>

Less: Short-term portion transferred to Current Assets

Ugu District Municipality	<b>3 930 417</b>
Housing Loans	759 728
	3 170 689

**Total Long-term Receivables****29 271 492**

The amount owed by **Ugu District Municipality** to the municipality represents the amount paid by the municipality to DBSA on behalf of Ugu District Municipality arising from transfer of powers and functions. The instalment is varies and paid semi-annually.

**Housing Loans** comprises the amount paid by the employees of the municipality in respect of housing. The debt varies from employee to employee and the instalment is paid on a monthly basis.

**16. INVENTORY**

Consumable stores and Maintenance Materials- At Cost	3 324 152	2 496 281
<b>Total Inventory</b>	<b>3 324 152</b>	<b>2 496 281</b>
Write down of inventory due to shortages	<b>218 473</b>	<b>36 795</b>

Inventory represents consumable stores, mechanical spares and electrical stores

The inventory value is considered as the net realisable value of the stock because management feels that the stock is useable and any losses on ultimate realisation are immaterial.

**17. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balance R</b>	<b>Provision for Bad Debt R</b>	<b>Net Balance R</b>
<b>As at 30 June 2010</b>			
Trade Receivables	93 461 621	(23 268 422)	70 193 199
Other Receivables	10 424 780	-	10 424 780
<b>Total Trade and Other Receivables</b>	<b>103 886 401</b>	<b>(23 268 422)</b>	<b>80 617 979</b>

**As at 30 June 2009**

Trade Receivables	76 931 637	(22 039 560)	54 892 077
Other Receivables	16 001 212	-	16 001 212

<b>Total Trade and Other Receivables</b>	<b>92 932 849</b>	<b>(22 039 560)</b>	<b>70 893 289</b>
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**Trade Receivables**

Rates	22 415 063	30 759 818
Rates penalties	8 363 952	11 184 332
Electricity	6 475 900	5 361 919
Collection charges	1 931 633	2 739 633
Electricity basic	31 033	56 877
Refuse	6 837 122	4 322 419
Refuse basic	898 034	1 278 831
Value added taxation	3 191 866	2 971 481
Sewer rates	380 880	508 043
Legal fees	5 617 413	5 595 201
Sundries	5 619 694	3 750 896
Interim /B CL	402 859	745 215
Roads and drainage	144 732	220 839
Rentals	510 983	337 533
Interest on services	12 028 436	6 525 827
Vacuum Tanker Services	5 213	5 217
Water	72 014	45 224
U I P - Southbroom	97 679	137 782
UIP-Ramsgate	43 034	275 458
Airport	205 501	109 093
Payments received in advance (included in creditors)	18 188 578	(17 378 566)
Add back payments received in advance		17 378 566

<b>93 461 621</b>	<b>76 931 637</b>
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**The ageing of debtors are as follows:**

Current	5 590 061	6 994 835
30 - 60 Days	4 689 265	2 147 129
60 - 90 Days	3 495 040	5 836 919
90 - 120 Days	4 574 859	4 965 657
150 Days and Over	75 112 395	56 987 097
<b>Total</b>	<b>93 461 620</b>	<b>76 931 637</b>

**Reconciliation of the Bad Debt Provision**

Balance at beginning of year	22 039 560	21 818 198
Contributions made during the year	6 057 131	11 339 284
Bad debts written off during the year	(4 828 269)	(11 117 922)

<b>Balance at end of year</b>	<b>23 268 422</b>	<b>22 039 560</b>
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The management have profiled each debt and considered the effects of any impairment in the value of outstanding and compared them with the value of the provision for bad debt. the provision is adequate to meet any material losses expected to arise from any adjustments that are required to be made to outstanding from impairments and discounting

The credit control policy states that the average credit period for consumer debtors is 30 days. Interest is charged on overdue accounts and such interest is determined by the council. The municipality enforces its approved credit control policy to ensure the recovery of consumer debtors.

## 18. FINANCIAL ASSETS-SHORT-TERM INVESTMENT DEPOSITS

Call Deposits		183 145 000	220 475 970
<b>Total Short-Term Investment Deposits</b>		<b>183 145 000</b>	<b>220 475 970</b>
<b>Summary of the Short-term Investments Deposits</b>			
<b>Institution</b>	<b>Account Number</b>		
ABSA	91-0281-5623	24 821 122	23 892 259
	91-4947-4529	571 158	540 340
	91-4947-4927	3 259 562	4 442 943
	91-4947-5509	9 252 853	3 737 077
	91-4947-5753	10 719	10 037
	91-4947-5208	94 387	89 295
	91-4940-1627	58 166	55 028
	91-4940-1164	27 979	14 852
	91-5277-5491	105 397	99 710
Standard Bank- Call	89140/356988	10 609	26 396
	89139/356986	171 749	3 767
	89141/356989	60 354	56 561
	90439/364623	2 491 688	152 537
Standard Bank-Call	89111/356985	823 442	771 686
	89111/357732	80 981	75 891
	89111/360253	62 028 193	167 022 450
	89111/388208	-	1 554 650
Investec-Call	1400-190309-500	19 276 640	17 930 491
Investec-Call	1400-190309-451	40 000 000	-
Nedbank	03/7881000791/32	20 000 000	-
		<b>183 145 000</b>	<b>220 475 970</b>

## 19. BANK AND CASH EQUIVALENTS

The Municipality has the following accounts

### Standard Bank- Port Shepstone

Account Number 05 325 607 7 ( Primary Bank Account)

Positive bank balance

Cash book balance at end of year

Less: Outstanding cheques included in creditors

8 325 190 14 627 161

13 702 956 77 123

22 028 146 14 550 038

Floats

23 767 30 781

### Tota Bank and Cash Equivalents

**8 348 957 14 657 942**

Cash book balance at beginning of year - (overdrawn)

77 123 (2 551 232)

Cash book balance at end of year

13 702 956 77 123

Bank statement balance at beginning of year

14 022 275 4 719 589

Bank statement balance at end of year

6 659 617 14 022 275

## 20. PROPERTY RATES

### Actual

Rates Residential	200 956 890	190 381 054
Commercial Properties	917 120	29 169 445
Industrial Properties	28 692 211	5 418 355
Mining Properties	6 553 977	247 632
Agriculture-Bona Fide Properties	255 024	905 941
Agriculture-Mixed Properties	217 994	194 686
Institutional Properties	2 917 166	2 016 220
Special Purpose Properties	130 142	200 064
Public Service Infrastructure	1 074 916	1 043 656
	<b>241 715 441</b>	<b>229 577 053</b>

**Rebates**

Adjustments	1 132 028	1 286 189
Rebates	1 673 136	3 228 811
Impermissible and Reduction	1 276 430	22 568 203
Phasing In	24 376 968	1 652 379
Exemptions	1 993 352	316 063

**Tota Rebates**

<b>30 451 914</b>	<b>29 051 645</b>
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**Total Assessment Rates after rebates**

<b>211 263 526</b>	<b>200 525 408</b>
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**Property Valuations**

Rates Residential	28 898 320 267	29 668 350 967
Commercial Properties	2 045 972 864	2 419 889 264
Industrial Properties	459 099 822	450 537 822
Mining Properties	18 480 000	18 480 000
Agriculture-Bona Fide Properties	1 334 252 000	1 314 960 000
Agriculture-Mixed Properties	138 216 000	124 660 000
Institutional Properties	759 890 040	602 728 040
Special Purpose Properties	38 917 000	78 071 000
Public Service Infrastructure	890 112 000	890 112 000

**Total Valuations**

<b>34 583 259 993</b>	<b>35 567 789 093</b>
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**21. SERVICE CHARGES**

Sale of Electricity	59 837 896	42 889 426
Refuse removal	25 636 538	19 113 112
Verge maintenance	-	-

**Total Service Charges**

<b>85 474 434</b>	<b>62 002 538</b>
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**22. INTEREST EARNED**

Total external interest earned :		
Interest earned on external investments	11 311 897	15 460 695
Interest earned on outstanding debtors	9 530 247	8 871 331
	-	-

**Total external interest earned**

<b>20 842 144</b>	<b>24 332 026</b>
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**23. GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	56 245 340	45 421 642
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**Conditional grants**

99 458 150	34 082 458
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**National grants**

FMG grant	826 625	419 563
MSIG grants - IDP	356 329	399 829
MIG grant	23 909 471	11 028 624
Disaster Management Grant	59 880 262	14 984 884

**Provincial grants**

Housing Grants	11 530 957	6 533 261
Museum Services	-	125 944
Environmental Grant	-	175 300
Grant spatial Planning	-	40 000
Housing Grant Admin	-	50 000
Umsobomvu Youth Fund	-	226 526
2010 Raha Bolo	-	98 527
Margate Library-Cyber Cadet	118 647	-
Subsidy/Grant Library	131 959	-
Capacity Building	98 450	-
Student Grant	150 000	-
Lollipop	184 988	-
Corridor Fund Ugu	2 270 462	-

**Total Government Grants and Subsidies**

<b>155 703 490</b>	<b>79 504 100</b>
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**23.1 Equitable Share**

Balance unspent at beginning of year	-	-
Current year receipts	56 245 340	45 421 642
Conditions met - transferred to revenue	(56 245 340)	(45 421 642)

Conditions still to be met - transferred to liabilities	-	-
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In terms of the Constitution ,this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy towards the cost of basic services which is funded from this grant.

**23.2 Financial Management Grant (FMG)**

Balance unspent at beginning of year	426 086	345 649
Current year receipts	750 000	500 000
Conditions met - transferred to revenue	(826 625)	(419 563)

Conditions still to be met - transferred to liabilities	<b>349 461</b>	<b>426 086</b>
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This grant is used to subsidise the costs of building capacity of the Treasury department and the Financial Management Internship programme.Certain conditions have been met .There was no delay or withholding of the grant.

**23.3 Municipal Support Infrastructure Grant (MSIG)**

Balance unspent at beginning of year	257 742	257 571
Current year receipts	400 000	400 000
Conditions met - transferred to revenue	(356 329)	(399 829)

Conditions still to be met - transferred to liabilities	<b>301 413</b>	<b>257 742</b>
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This grant is used to subsidise the costs of revising the Integrated Development Plan.Certain conditions have been met.There was no delay or withholding of the grant.

**23.4 Municipal Infrastructure Grant**

Balance unspent at beginning of year	66 968 846	5 867 915
Current year receipts	13 184 000	72 129 554
Conditions met - transferred to revenue	(23 909 471)	(11 028 624)

Conditions still to be met - transferred to liabilities	<b>56 243 375</b>	<b>66 968 845</b>
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This grant is used to subsidise the costs of infrastructure.Certain conditions of the grant have been met. There was no delay or withholding of the grant.

### 23.5 Disaster Management Grant

Balance unspent at beginning of year	62 938 675	27 877 559
Current year receipts	-	50 046 000
Conditions met - transferred to revenue	(59 880 262)	(14 984 884)
Conditions still to be met - transferred to liabilities	<b>3 058 413</b>	<b>62 938 675</b>

This grant is used to subsidise the costs of Disaster due to floods in our area. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

### 23.6 Housing grants

Balance unspent at beginning of year	19 303 286	21 170 217
Current year receipts	12 165 084	4 666 330
Conditions met - transferred to revenue	(11 530 957)	(6 533 261)
Conditions still to be met - transferred to liabilities	<b>19 937 414</b>	<b>19 303 286</b>

This grant is used to subsidise the costs of providing efficient administrative services. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

### 23.7 Credit Management Grant

Balance unspent at beginning of year	400 000	400 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<b>400 000</b>	<b>400 000</b>

This grant is used to subsidise the costs of providing efficient administrative services. The conditions of the grant have not been met. There was no delay or withholding of the grant.

### 23.8 Operations Grant

Balance unspent at beginning of year	92 115	92 115
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<b>92 115</b>	<b>92 115</b>

This grant is used to subsidise the costs of providing efficient administrative services. The conditions of the grant have been met. There was no delay or withholding of the grant.

**23.9 Environmental grant**

Balance unspent at beginning of year		
Current year receipts	24 700	200 000
Conditions met - transferred to revenue	-	(175 300)
	-	
Conditions still to be met - transferred to liabilities	<b>24 700</b>	<b>24 700</b>

This grant is used to subsidise the cost of maintaining the environment within the area. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

**23.10 Provincial Museum Subsidies**

Balance unspent at beginning of year	-	-
Current year receipts	138 000	125 944
Conditions met - transferred to revenue	-	(125 944)
	-	
Conditions still to be met - transferred to liabilities	<b>138 000</b>	<b>-</b>

This grant is used to subsidise the costs of maintaining the Museum. Conditions of the grant have not been met. There was no delay or withholding of the grant.

**23.11 Grant Spatial Planning**

Balance unspent at beginning of year	60 000	-
Current year receipts	-	100 000
Conditions met - transferred to revenue	-	(40 000)
	-	
Conditions still to be met - transferred to liabilities	<b>60 000</b>	<b>60 000</b>

This grant is used for the development of the Rural Nose Framework . The conditions of the grant have not been met. There was no delay or withholding of the grant.

**23.12 Provincial Library Project Subsidies**

Balance unspent at beginning of year	278 900	-
Current year receipts	96 000	78 900
Conditions met - transferred to revenue	(250 606)	-
	-	
Conditions still to be met - transferred to liabilities	<b>124 294</b>	<b>78 900</b>

This grant is used to subsidise the costs of maintaining the libraries. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

**23.13 Capacity Building Grant**

Balance unspent at beginning of year	388 995	
Current year receipts	-	388 995
Conditions met - transferred to revenue	(98 450)	-
	-	
Conditions still to be met - transferred to liabilities	<b>290 545</b>	<b>388 995</b>

This grant is used to subsidise the cost of capacitating the municipal staff. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

**23.14 Umsobomvu Youth Fund**

Balance unspent at beginning of year	23 474	-
Current year receipts	-	250 000
Conditions met - transferred to revenue	-	(226 526)
Conditions still to be met - transferred to liabilities	<b>23 474</b>	<b>23 474</b>

This grant is used to subsidise the costs of providing the services to the youth. Conditions of the grant have not been met. There was no delay or withholding of the grant.

**23.15 2010 Raha Bolo**

Balance unspent at beginning of year	276 473	-
Current year receipts	-	375 000
Conditions met - transferred to revenue	-	(98 527)
Conditions still to be met - transferred to liabilities	<b>276 473</b>	<b>276 473</b>

This grant is used to subsidise the costs of promoting the 2010 FIFA world cup. Conditions of the grant have not been met. There was no delay or withholding of the grant.

**23.16 Subsidy-HIV AIDS**

Balance unspent at beginning of year	-	-
Current year receipts	86 720	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<b>86 720</b>	<b>-</b>

This grant is used to subsidise the fight against aids campaign. The conditions of the grant have not been met. There was no delay or withholding of the grant.

**23.17 Sport Grant**

Balance unspent at beginning of year	913 500	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<b>913 500</b>	<b>-</b>

This grant is used to subsidise various sporting codes. The conditions of the grant have not been met. There was no delay or withholding of the grant.

**23.18 Gijima-2nd Economy**

Balance unspent at beginning of year	41 865	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<b>41 865</b>	<b>-</b>

This grant is used to subsidise the local economic development in the area. The conditions of the grant have not been met. There was no delay or withholding of the grant.

**23.19 Student Grant**

Balance unspent at beginning of year		
Current year receipts	150 000	-
Conditions met - transferred to revenue	(150 000)	-
Conditions still to be met - transferred to liabilities	<b>-</b>	<b>-</b>

This grant is used to subsidise students at the Tertiary level. The conditions of the grant have been met. There was no delay or withholding of the grant.



**23.20 School Crossing Grant(Lollipop)**

Balance unspent at beginning of year	-	-
Current year receipts	184 988	-
Conditions met - transferred to revenue	(184 988)	-
Conditions still to be met - transferred to liabilities	-	-

This grant is used to subsidise the cost of assisting school children in crossing the street .The conditions of the grant have been met. There was no delay or withholding of the grant.

**23.21 Corridor Fund Ugu**

Balance unspent at beginning of year	-	-
Current year receipts	3 542 976	-
Conditions met - transferred to revenue	(2 270 462)	-
Conditions still to be met - transferred to liabilities	<b>1 272 514</b>	-

This grant is used to subsidise the cost of upgrading the Airport for the FIFA world cup.Certain conditions of the grant have been met. There was no delay or withholding of the grant.

**24 OTHER INCOME**

The major categories of other income are the following:-

Aircraft Sales	2 315 923	2 666 926
Skills Development Refund	718 874	1 037 976
Admin and Certificate related	1 594 344	1 865 676
Town Planning related	5 412 352	3 677 267
Miscellaneous	887 311	483 331
Traffic and Fire related	567 239	526 272
Primary Health Care	3 006 660	-
<b>Total Other Income</b>	<b>14 502 703</b>	<b>10 257 448</b>

**25 EMPLOYEE RELATED COSTS**

Salaries and Wages	117 368 884	89 486 808
Contributions for UIF, pensions and medical aids	27 136 072	26 291 609
Travel, motor car, accommodation, subsistence and other allowances	6 304 508	10 248 064
Housing benefits and allowances	1 453 781	5 278 414
Overtime payments	6 785 614	5 205 543
Performance and other bonuses	8 796 126	9 250 643
Long-service awards	923 681	739 307
Post retirement medical benefits	817 000	1 269 000
Other employee related costs	23 625 094	7 787 610
<b>Total Employees Related Costs</b>	<b>193 210 760</b>	<b>155 556 998</b>

**Remuneration of the Municipal Manager**

Annual Remuneration	503 137	574 852
Car, Entertainment, Housing, Subsistence and Other Allowances	328 072	308 121
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	24 027	9 063
	<b>855 235</b>	<b>892 036</b>

**Remuneration of the Chief Financial Officer**

Annual Remuneration	435 706	467 705
Car, Entertainment, Housing, Subsistence and Other Allowances	247 319	215 300
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	27 866	67 028
	<b>710 890</b>	<b>750 033</b>

**Remuneration of the Director : Corporate Services**

Annual Remuneration	310 600	310 600
Car, Entertainment, Housing, Subsistence and Other Allowances	304 787	265 632
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	23 400	52 783
	<b>638 787</b>	<b>629 014</b>

**Remuneration of the Director : Economic Development**

Annual Remuneration	277 240	125 672
Car, Entertainment, Housing, Subsistence and Other Allowances	303 171	195 532
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	45 932	14 567
	<b>626 343</b>	<b>335 770</b>

**Remuneration of the Director : Operations**

Annual Remuneration	83 318	334 329
Car, Entertainment, Housing, Subsistence and Other Allowances	57 942	217 281
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	6 277	24 902
	<b>147 537</b>	<b>576 511</b>

The Director of Operations resigned on 30 November 2009 and the post is still vacant.

**Remuneration of the Director : Infrastructure and Human Settlements**

Annual Remuneration	280 042	297 684
Car, Entertainment, Housing, Subsistence and Other Allowances	133 026	276 850
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	53 578	46 770
	<b>466 646</b>	<b>621 304</b>

2009

**Remuneration of the Director : Cleansing and Maintenance**

Annual Remuneration	575 971	556 060
Car, Entertainment, Housing, Subsistence and Other Allowances	96 000	128 476
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	-	4 013
	<b>671 971</b>	<b>688 549</b>

**Remuneration of the Director : Protection Services**

Annual Remuneration	301 134	301 134
Car, Entertainment, Housing, Subsistence and Other Allowances	313 787	310 993
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	23 866	27 242
	<b>638 787</b>	<b>639 369</b>

**Remuneration of the Director : Health and Community Services**

Annual Remuneration	349 026	338 893
Car, Entertainment, Housing, Subsistence and Other Allowances	267 514	217 093
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	23 400	24 184
	<b>639 940</b>	<b>580 169</b>

**Remuneration of the Director : Planning and Development**

Annual Remuneration	468 915	457 300
Car, Entertainment, Housing, Subsistence and Other Allowances	166 656	173 808
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	36 400	66 616
	<b>671 971</b>	<b>697 724</b>

**Total Senior Management**

**6 068 107      6 410 480**

**26 REMUNERATION OF COUNCILLORS**

Mayor's allowance	576 275	554 559
Deputy Mayor's allowance	461 020	446 844
Speaker's allowance	461 020	440 022
Councillors' allowances - Part time	8 810 373	8 136 012
Councillors' allowances - Full time	3 623 425	3 464 299
	<b>13 932 113</b>	<b>13 041 736</b>

#### In Kind Benefits

The Mayor, Deputy Mayor and a Speaker and Executive committee members are full time. Each is provided with an office and a secretarial support at a cost to the council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has two full time bodyguards.

Councillors may utilise official Council transportation when engaged in official duties.

#### 27 DEPRECIATION AND AMORTISATION

Depreciation and Amortisation	39 146 953	26 464 061
<b>Total Depreciation and Amortisation</b>	<b>39 146 953</b>	<b>26 464 061</b>

#### 28 INTEREST PAID

Interest Paid-Long-term Liabilities	1 834 975	2 479 931
<b>Total Interest Paid</b>	<b>1 834 975</b>	<b>2 479 931</b>

#### 29 BULK PURCHASES

Electricity	35 870 394	27 192 084
<b>Total Bulk Purchases</b>	<b>35 870 394</b>	<b>27 192 084</b>

#### 30 GENERAL EXPENSES

Included in general expenses are the following:

Advertising	1 009 260	709 923
Aircraft Expenses	2 129 621	1 929 043
Bank Charges	786 378	709 559
Budget Roadshows	604 711	669 405
Chemicals & Pesticides	674 100	343 363
Clearing Charges	598 625	614 343
Electricity charges	3 686 327	2 771 576
Free Basic Services	3 146 756	2 775 638
HIV aids	228 657	1 183 827
Insurance	1 744 806	1 337 912
Legal Fees	2 070 236	3 634 247
Miscellaneous	9 423 923	3 223 503
1 House 1 Garden Project	265 022	-
2010 Activation	325 602	-
Home Based Care Networking	573 509	-
Leasing-Properties	706 649	341 923
Licences	415 742	-
Margate Airport Business plan	3 157 674	-
Pont Caravan Park	800 000	-
Poverty Alleviation Projects	406 857	75 027
Refuse Bags	1 264 251	1 696 712
Re-Imbursement of Funds	443 699	-
Youth Empowerment	603 408	108 995
Plant Hire	814 412	2 595 182
Postage	1 390 485	1 339 557
Printing & Stationery	1 483 227	1 571 326
Professional Fees	6 204 632	6 864 909
Refuse site disposal charges	2 790 508	4 474 080
Rents & Leases	8 954 210	7 269 147
Skills development levy	1 524 868	1 292 635
Small Assets	146 551	1 617 247
Special Functions	1 110 787	789 021
Stores & material	1 302 348	1 173 658
Subscriptions	739 274	862 632
Subsistence & Travelling	1 270 901	1 086 157

Security Monitoring Charges	3 793 322	3 395 278
Summons	635 797	2 884 303
Telephone	4 226 026	4 118 394
Training	1 740 953	865 033
Valuation Fees	800 906	727 855
Water Charges	2 974 958	3 134 132
Workmans Compensation		1 170 476
	<b>76 969 977</b>	<b>69 356 018</b>

### 31 AUDIT FEES

Opening Balance	-	-
Amount Paid Current Year	2 268 588	1 820 557
Balance unpaid at the end of the year	-	-
<b>Total Audit Fees</b>	<b>2 268 588</b>	<b>1 820 557</b>

### 32 IMPAIRMENT LOSSES

#### 32.1 Impairment Losses on Fixed Assets

#### Impairment Losses Recognised

Property, plant and equipment	92 824	148 549
Intangible Assets	92 824	148 549
Investment Property	-	-
	-	-
<b>Total Impairment Losses</b>	<b>92 824</b>	<b>148 549</b>

### 33 CASH GENERATED BY OPERATIONS

Surplus/(Deficit) for the year	60 391 697	10 469 372
Adjustment for:		
Depreciation and Amortisation	39 146 953	26 464 061
Impairment Losses on Property, Plant and Equipment	92 824	148 549
Loss on Disposal of Property, Plant and Equipment	54 244	25 573
Contribution to Retirement Benefit Liabilities	239 415	(323 094)
Expenditure incurred from Retirement Benefit Liabilities	(12 292 643)	(3 919 678)
Contribution to Landfill Site and Leave	4 593 163	2 573 680
Contribution to Bad Debts	6 057 131	11 339 284
Bad Debts Written-off	4 828 269	(11 117 922)
Investment Income	(20 842 144)	(15 460 695)
Interest Paid	1 834 975	2 479 931
<b>Operating Surplus before working capital changes</b>	<b>84 103 884</b>	<b>22 679 061</b>
Decrease/(Increase) in Inventories	(827 871)	(1 038 083)
Decrease/(Increase) in Consumer Debtors	(9 724 690)	10 634 125
Increase/(Decrease) in Consumer Deposits	7 051 604	250 885
Increase/(Decrease) in Creditors	19 986 107	4 136 485
Increase/(Decrease) in Conditional Grants and Receipts	(67 605 015)	95 228 266
Increase/(Decrease) in Operating Lease Liability	81 317	(149 039)
Decrease/(Increase) in Other Debtors	5 576 432	12 791 271
<b>Cash generated by / (utilised in) Operations</b>	<b>38 641 768</b>	<b>143 548 494</b>

### 34 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure		
Approved and Contracted for	110 421 525	44 855 949
Approved but not Yet Contracted for	35 756 692	16 394 060
<b>Total Capital Commitments</b>	<b>146 178 217</b>	<b>61 250 009</b>
This expenditure will be financed from:		
Internal sources	54 077 154	30 557 441
Government Grants	92 101 063	30 692 568
	<b>146 178 217</b>	<b>61 250 009</b>

### 35 CONTINGENT LIABILITIES

#### Claim for Damages

(i) The municipality is being sued by the Contractor for cancellation of the contract due to non-performance by the contractor. The council is defending the matter. At this stage the outcome of this matter is unknown.

- -

(ii) The municipality is involved in a dispute with the applicant where the applicant is claiming R629 348.00 storage fees and repairs for council's moveable assets. The outcome of the matter is not known at this stage.

700 000 700 000

(iii) The municipality is being sued for R21 542.00 by the applicant after the council vehicle collided with applicant's vehicle. The outcome of the matter is not known at this stage.

25 000 25 000

(iv) The municipality is being sued by the applicant for storage fees not paid by the municipality. The council is defending the matter and the outcome of the matter is not known at this stage.

-

(v) The municipality is being sued by the applicant for damage to the property. The council is defending the matter and the outcome of the matter is not known at this stage.

-

(vi) The municipality is being sued by the applicant for damage to the vehicle due to potholes. The council is defending the matter and the outcome of the matter is not known at this stage.

-

(vii) The municipality is being sued by the applicant resulting from the unauthorised use of the applicant's vehicle by the municipality. The council is defending the matter and the outcome of the matter is not known at this stage.

-

### 36 RETIREMENT BENEFITS

All councillors belong to the Pension Fund for Municipal Councillors. The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement) or a member of a Government Employers Pension Fund (GEPF). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis.

#### Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

No details could be provided of the last valuation.

#### National Fund for Municipal Workers:

The above mentioned fund is a defined contribution scheme and, according to Regulation 2 of the Pension Funds Act no 24 of 1956, is exempted from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members (9,00 %) and council (18,00 %).

No details could be provided of the last valuation.

#### Retirement Fund:

The contribution rate paid by the members (7,0%) and Council (13,65%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2006 revealed that the fund is in sound financial state. The current surcharge to be met by the employer is 12.35%.

No details could be provided of the last valuation.

#### Superannuation Fund:

The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2006 revealed that the fund had an actuarial surplus of R38,

- From 1 July 2006 6%
- From 1 July 2007 6%

The above-mentioned surcharge was revised to 7% as from 1 July 2008.

No details could be provided of the last valuation.

#### Provident Fund:

The contribution rates payable are 5%, 7% and 9.25% by the members and Council contributes 9.75%, 13.65% and 18.0% respectively. The last valuation performed for the year ended 30 June 2005, certified that the fund is in a sound financial state. The last valuation performed for the period ended 31 March 2005 indicated that the fund is in a sound financial position.

No details could be provided of the last valuation.

None of the above mentioned plans are State Plans.

### 37 COUNCILLORS' ACCOUNTS IN ARREAR

During the year the following Councillors had arrear accounts outstanding for more than 90 days

	Amount Outstanding	Ageing
<b>30 June 2010</b>		
Myingwa I.N	1 153	> 90 Days
Njoko D.H	693	> 90 Days
Tshomela G.N	2 128	> 90 Days
<b>30 June 2009</b>		
Conco DA	2 570	> 90 Days

### 38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

#### 38.1 Unauthorised Expenditure

To the best of management's knowledge, no Unauthorised Expenditure was incurred during the year under review

#### 38.2 Fruitless and Wasteful Expenditure

To the best of management's knowledge, instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

#### 38.3 Irregular Expenditure

To the best of management's knowledge, instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure		
Opening balance	1 400 000	-
Expenditure incurred during the year	-	1 400 000
Condoned or written off by the council	(1 400 000)	-
Irregular expenditure awaiting condonement	-	<b>1 400 000</b>

### 39 RELATED PARTY DISCLOSURES

#### 39.1 Services Rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Service Charges	Outstanding Balance	Doubtful Debt Provision	Bad Debt
		R	R	R
<b>For the Year Ended 30 June 2010</b>				
Councillors	114 008	3 795	-	-
Municipal Manager and Section 57 Personnel	89 816	-	-	-
<b>Total Services</b>	<b>203 824</b>	<b>3 795</b>	<b>-</b>	<b>-</b>
<b>For the Year Ended 30 June 2009</b>				
Councillors	109 388	2 948	-	-
Municipal Manager and Section 57 Personnel	72 879	1 651	-	-
<b>Tota Services</b>	<b>182 267</b>	<b>4 599</b>	<b>-</b>	<b>-</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

No bad debts were written or recognised in respect of the amount owed by the related parties.

The amounts outstanding are unsecured and will be settled in cash and consumer deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

#### 39.2 Transactions with Related Parties

Categories	Payment Made
Municipal Entity	500 000

This payment to the Hibiscus Coast Development Agency relates to the re-imbusement of funds paid for projects conducted by the municipal entity on behalf of the municipality.

#### 39.3 Key Management Personnel Compensation

Compensation of Key Management Personnel and Councillors is set out in Notes 25 And 26 respectively to the Annual Financial Statements..

#### 40 FINANCIAL INSTRUMENTS

##### 40.1 Classification of Financial Instruments

###### FINANCIAL ASSETS:

As per IAS 39 the Financial Assets of the municipality are classified as

<u>Financial Assets:</u>	<u>Classification</u>	<u>Amount</u>	
<b>Long-term Receivables</b>			
Ugu District Municipality	Loans and Receivables	17 813 633	20 436 444
Housing Loans	Loans and Receivables	48 482	18 850 825
<b>Consumer Debtors</b>			
Electricity and Refuse Debtors	Loans and Receivables	70 193 199	90 841 081
Other Debtors	Loans and Receivables	10 424 780	16 082 517
<b>Current Portion of Long-term receivables</b>			
Ugu District Municipality	Loans and Receivables	1 056 572	20 436 444
Housing Loans	Loans and Receivables	5 635	18 850 825
<b>Investments</b>			
Short-term Investments Deposits	Held to Maturity	183 145 000	220 475 970
<b>Bank Balances and Cash</b>			
Cash and Cash Equivalents	Available for Sale	8 348 957	14 657 942

###### SUMMARY OF FINANCIAL ASSETS

<b>Loans and Receivables</b>			
Long-term Receivables	Ugu District Municipality	17 813 633	20 436 444
Long-term Receivables	Housing Loans	48 482	18 850 825
Trade Receivables	Electricity	80 617 979	66 982 256
Other Receivables	Provision for Impairment	23 268 422	23 890 000
Current Portion of Long-term Receivables	Ugu District Municipality	1 056 572	20 436 444
Current Portion of Long-term Receivables	Housing Loans	5 635	18 850 825
<b>Held to Maturity:</b>			
Short-term Investment Deposit	Call Deposits	183 145 000	220 475 970
<b>Available for Sale</b>			
Cash and Cash Equivalents	Cash and Bank	8 348 957	14 657 942
<b>Total Financial Assets</b>		<b>314 304 680</b>	<b>420 625 842</b>

###### FINANCIAL LIABILITIES

As per IAS 39 the Financial Liabilities of the municipality are classified as

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Local Registered Stock	Not valued at FVTPL	150 000	150 000
Annuity Loans	Not valued at FVTPL	18 644 707	24 725 566
Capitalised Lease Liability	Not valued at FVTPL	576 592	1 752 189
<b>Consumer Deposits</b>			
Electricity and Refuse	Not valued at FVTPL	-	-
<b>Creditors</b>			
Trade Payables	Not valued at FVTPL	1 241 822	4 264 505
Other Deposits	Not valued at FVTPL	7 079 120	12 779 863
Accruals	Not valued at FVTPL	15 209 255	1 133 015
Retention	Not valued at FVTPL	15 221 216	7 748 551
Payments Received in Advance	Not valued at FVTPL	18 188 578	17 378 566
Outstanding Cheques at Year End	Not valued at FVTPL	22 028 146	14 550 038
<b>Provisions</b>			
Staff Leave	Not valued at FVTPL	10 116 670	8 663 507
Landfill Site Rehabilitation	Not valued at FVTPL	19 369 800	15 059 969
<b>Operating Lease Liability</b>			
Operating Lease Liability	Not valued at FVTPL	127 735	46 416

**Unspent Conditional Grants and Receipts**

National Government Grants	Not valued at FVTPL	79 988 662	151 239 291
Provincial Government Grants	Not valued at FVTPL	-	-
Other Grants	Not valued at FVTPL	3 645 614	1 202 399

**Current Portion of Long-Term Liabilities**

Local Registered Stock	Not valued at FVTPL	150 000	150 000
Annuity Loans	Not valued at FVTPL	4 851 418	3 784 263
Capitalised Lease Liability	Not valued at FVTPL	576 592	1 078 049

**SUMMARY OF FINANCIAL LIABILITIES****Not Valued at Fair Value through Profit or Loss:**

Long-term Liabilities	Local Registered Stock	150 000	150 000
Long-term Liabilities	Annuity Loans	18 644 707	24 725 566
Long-term Liabilities	Capitalised Lease Liability	576 592	1 752 189
Consumer Deposits	Electricity and Refuse	-	-
Payables	Trade Payables	1 241 822	4 264 505
Payables	Other Deposits	7 079 120	12 779 863
Payables	VAT Payable	-	1 210 367
Accruals	Other Payables	15 209 255	1 133 015
Payables	Retention	15 221 216	7 748 551
Payables	Payments Received in Advance	18 188 578	17 378 566
Payables	Outstanding Cheques at Year End	22 028 146	14 550 038
Provisions	Staff Leave	10 116 670	8 663 507
Provisions	Landfill Site Rehabilitation	19 369 800	15 059 969
Operating Lease Liability	Operating Lease Liability	127 735	46 416
Unspent Conditional Grants and Receipts	National Government Grants	79 988 662	150 036 892
Unspent Conditional Grants and Receipts	Provincial Government Grants	-	-
Unspent Conditional Grants and Receipts	Other Grants	3 645 614	1 202 399
Current Portion of Long-Term Liabilities	Local Registered Stock	150 000	150 000
Current Portion of Long-Term Liabilities	Annuity Loans	4 851 418	3 784 263
Current Portion of Long-Term Liabilities	Capitalised Lease Liability	576 592	1 078 049

**TOTAL FINANCIAL LIABILITIES**

<b>217 165 926</b>	<b>267 342 582</b>
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**41 RISK EXPOSURES**

The Municipality is potentially at risk in the following area's:-

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate as means of mitigating the risk of financial loss from defaults.

Interest Rate Risk is the risk that the value of the financial instrument will fluctuate because of changes in the market interest rates.

Potential concentrations of credit risk consist of mainly of long-term debtors, consumer debtors, other debtors, short-term investments deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investments operations by only dealing with well-established financial institution of high credit standing.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality and income segment. Periodic credit evaluation is performed on the financial conditions of accounts receivables and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluation are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

Consumer Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The maximum credit and interest risk exposures in respect of the financial instruments are as follows:

Short term Investments	183 145 000	220 475 970
Trade Payables	80 617 979	66 951 081
Other Debtors	10 424 780	16 045 136
Long-term Debtors	16 799 908	35 356 852
Bank Balances and Cash	8 348 957	14 657 942
	<b>299 336 624</b>	<b>353 486 981</b>



#### 42 ELECTRICITY LOSSES

Electricity Losses for Hibiscus Coast Municipality incurred for the year under review.

<b>1 249 070</b>	<b>361 469</b>
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Electricity Losses can be attributed to illegal connections of electricity and operational usage.

#### 43 CHANGE IN ACCOUNTING POLICY

*Government Grants*, previously recognised in terms of IAS 20 (*Accounting for Government Grants*), have now been recognised in the Annual Financial Statements of the municipality as at 30 June 2010.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

##### **Reclassification of Accumulated Surplus and Deferred Revenue**

The prior year figures for Accumulated Surplus and Deferred Revenue have been restated to correctly

**The effect of the Change in Accounting Policy is as follows:**

	<b>Accumulated Surplus</b>	<b>Deferred Revenue</b>
<b>Balances published as at 30 June 2008</b>	<b>(623 590 584)</b>	<b>135 152 050</b>
Reclassify Government Grant Reserve	(135 152 050)	(135 152 050)
<b>Restated Balances as at 30 June 2008</b>	<b>(758 742 634)</b>	<b>-</b>
Transactions incurred for the Year 2008/09		
Contribution to Reserves	(30 000 000)	-
Interest allocated to Reserves	(3 394 291)	-
Assets obtained from Reserves	31 457 803	(2 694 641)
PPE Not taken in previous year	(36 044 637)	-
Offsetting of Depreciation	16 477 738	-
Housing Debtors	(5 529 593)	-
Appropriations from / (to) Reserves	(16 024 788)	-
Surplus for the Year	10 469 372	-
Transfer of Transactions to Accumulated Surplus	(2 694 641)	2 694 641
<b>Restated Balances as at 30 June 2009</b>	<b>(794 025 671)</b>	<b>-</b>

##### **Reclassification of Revenue:**

The prior year figures of Government Grants and Subsidies have been restated to correctly classify the transactions related to Assets obtained from Government Grants (previously included in the Government Grant Reserve).

**The effect of the Change in Accounting Policy is as follows:**

	<b>Government Grants</b>	<b>Surplus for the Year</b>
<b>Revenue as per AFS previously published for 2008/2009</b>	<b>79 504 100</b>	<b>11 129 268</b>
Reclassification of Assets obtained from Grants	2 694 641	2 694 641
Reclassification of Depreciation of Assets obtained from Grants	(3 354 537)	(3 354 537)
<b>Restated Revenue as per AFS currently disclosed for 2008/2009</b>	<b>78 844 204</b>	<b>10 469 372</b>

#### 44 STATEMENT OF CHANGES IN NET ASSETS

During 2010 an exercise was undertaken by PricewaterhouseCoopers to account for all infrastructure assets of the municipality. This resulted in assets being capitalised that has never been accounted for therefore adhering to GRAP 17. The fair value of additional infrastructure amounted to R43 527 688.40 resulting in increased depreciation amounting by R 7 483 051.83 for the year.

#### 45 EVENTS AFTER BALANCE SHEET DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2010.

#### 46 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

#### 47 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

**APPENDIX A**  
**HIBISCUS COAST MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2010**

Details	Loan Number	Interest Rate	Redeemable	Balance at 30 June 2009	Received during the year	Adjustment during Period	Redeemed/ written off during period	Balance at 30 June 2010
				R	R		R	R
<b>LOCAL REGISTERED STOCK</b>								
HE Capital	3 & 4	16.95%	2008	50 000	-	-	-	50 000
UAL Merchant Bank	2 - 6	19.50%	2008	100 000	-	-	-	100 000
<b>Total registered stock</b>				<b>150 000</b>	-	-	-	<b>150 000</b>
<b>ANNUITY LOANS</b>								
Development Bank of SA Ltd				6 609 618		1 687 867	748 662	4 173 089
Development Bank of SA Ltd	KN 100027/1	13.80%	2012	4 734 596			1 373 415	3 361 181
Development Bank of SA Ltd	13459/102	15.00%	2014	574 261			54 692	519 569
Development Bank of SA Ltd	13459/102	15.00%	2014	2 299 422			218 993	2 080 429
Development Bank of SA Ltd	13864/101	JIBAR	2012	2 812 500			225 000	2 587 500
Development Bank of SA Ltd	15326-3	17.25%	2012	63 937		17	6 778	57 142
Development Bank of SA Ltd	15326-4	13.47%	2013	439 186		75	51 580	387 531
Development Bank of SA Ltd	15373-2	15.60%	2009	3 090		3 605	6 695	-
Development Bank of SA Ltd	15298.-10	5.54/14.69%	2014	591 421			139 365	452 056
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	42 081			9 916	32 165
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	636 154		60 877	149 906	425 371
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	59 636			14 053	45 583
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	41 007			9 663	31 344
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	33 151			7 812	25 339
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	37 805			8 909	28 897
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	13 786			3 249	10 538
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	156 151		58 454	38 731	175 874
Planet Finance (N R B)		20.25%	2018	130 930		395	24 008	106 527
Infrastructure Finance Corporation	HHIBI-00-0001	14.05%	2012	5 446 834			1 302 263	4 144 571
<b>Total other annuity loans</b>				<b>24 725 566</b>	-	<b>1 687 172</b>	<b>4 393 686</b>	<b>18 644 707</b>

<b>CAPITAL LEASE LIABILITIES</b>							
ABSA Bank Ltd- Bankfin	69152428	12.60%	2010	205 550		141 528	64 022
ABSA Bank Ltd- Bankfin	69152436	12.60%	2010	205 550		141 528	64 022
ABSA Bank Ltd- Bankfin	69293994	12.70%	2010	205 550		141 528	64 022
ABSA Bank Ltd- Bankfin	69297663	11.73%	2010	378 513		262 299	116 214
ABSA Bank Ltd- Bankfin	69297671	11.73%	2010	378 513		244 357	134 156
ABSA Bank Ltd- Bankfin	69297680	11.73%	2010	378 513		244 357	134 156
<b>Total capitalised lease liabilities</b>				<b>1 752 189</b>	<b>-</b>	<b>1 175 597</b>	<b>576 592</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>26 627 755</b>	<b>-</b>	<b>1 687 172</b>	<b>5 569 283</b>

#### **ANNUITY LOANS**

##### **DBSA**

Structured unsecured loans taken over from the local municipalities as a result of a change of powers and functions. Repaid semi-annually at various interest rates.

##### **Planet Finance**

Structured unsecured loan. Repayable monthly in fixed instalments of capital and fixed rate interest.

##### **Infrastructure Finance Corp**

Structured unsecured 20 year loan. Repayable semi- annually in fixed instalments of capital and fixed rate interest.

#### **CAPITALISED LEASE LIABILITIES**

Structured secured finance leases over vehicles; lease repayments over a period of 3 years at both fixed and variable interest rates.

**APPENDIX B**  
**HIBISCUS COAST MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

DESCRIPTION	Opening	GRAP 17	Restated		Work in	Total	Depreciation	Depreciation	Total	Impairment	Disposals	Carrying
	Balance	Adjustments	Opening Balance	Additions	Progress	Additions	on Cost	on Revaluation	Depreciation	Losses		Amount
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	337 339 630	-	337 339 630	67 748	1 400 000	1 467 748	(223 606)	(3 128 168)	(3 351 774)	-	-	335 455 604
Infrastructure	182 381 845	36 044 636	218 426 482	78 315 731	7 031 353	85 347 084	(26 181 144)	-	(26 181 144)	-	-	277 592 422
Community Assets	75 677 435	-	75 677 435	17 807 578	479 282	18 286 860	(2 423 259)	(846 126)	(3 269 385)	-	-	90 694 910
Other Assets	27 286 325	-	27 286 325	4 151 951	-	4 151 951	(5 068 593)	-	(5 068 593)	(92 824)	(494 968)	25 781 891
Heritage Assets	213 006	-	213 006	25 980.00	-	25 980.00	-	-	-	-	-	238 986
Capitilised Leased Assets	1 981 472	-	1 981 472	-	-	-	(337 680)	-	(337 680)	-	-	1 643 792
Housing Schemes	16 756 512	-	16 756 512	-	-	-	(582 307)	-	(582 307)	-	-	16 174 205
	<b>641 636 225</b>	<b>36 044 636</b>	<b>677 680 861</b>	<b>100 368 988</b>	<b>8 910 635</b>	<b>109 279 623</b>	<b>(34 816 589)</b>	<b>(3 974 294)</b>	<b>(38 790 883)</b>	<b>(92 824)</b>	<b>(494 968)</b>	<b>747 581 809</b>

**HIBISCUS COAST MUNICIPALITY: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2010**

Description	Cost/Valuation					Accumulated Depreciation				Carrying Amount
	Opening Balance		Additions	Transfers/ Disposals	Closing Balance	Opening Balance	Depreciation for the year	Transfers/ Disposals	Closing Balance	
	R		R	R	R	R	R	R	R	R
Computer Software	2 251 372	-	112 656	-	2 364 028	1 187 119	356 070	-	1 543 189	820 839
	<b>2 251 372</b>		<b>112 656</b>	<b>-</b>	<b>2 364 028</b>	<b>1 187 119</b>	<b>356 070</b>	<b>-</b>	<b>1 543 189</b>	<b>820 839</b>

APPENDIX C  
**THE CONSOLIDATED FINANCIAL STATEMENTS**  
**HIBISCUS COAST MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**  
**MUNICIPALITY**

Department	OPENING BALANCES 2009/2010				ADDITIONS		DEPRECIATION			Carrying Amount
	Original Costs	GRAP 17 Adjustments	Accumulated Depreciation	Opening Balance	Purchase Price	Work in Progress	Depreciation for the Current Period	Depreciation for current period on Revaluation	Accumulated Depreciation	
Council General	55 498 874	36 044 636	(27 293 736)	28 205 138	96 699 151	7 031 353	(17 656 022)	-	(30 250 624)	178 250 110
Municipal Manager	570 684	-	(234 501)	336 183	14 995	1 400 000	(79 718)	-	(314 219)	390 739
Operations	580 963	-	(152 199)	428 764	113 424	-	(45 223)	-	(197 422)	496 965
Econ Development	8 640 368	-	(1 012 759)	7 627 608	-	-	(544 561)	-	(1 557 320)	7 083 047
Town Planning	1 960 163	-	(1 038 703)	921 459	57 700	-	(147 672)	-	(1 186 375)	831 488
Housing Admin	23 554 824	-	(7 038 996)	16 515 828	363 183	-	(879 368)	-	(7 918 364)	16 034 743
Internal Audit	123 124	-	(26 226)	96 897	-	-	(7 359)	-	(33 586)	89 538
Council Admin	2 373 450	-	(1 279 423)	1 094 027	233 887	-	(199 214)	-	(1 478 637)	1 128 700
InfoTechnology	6 997	-	(6 997)	-	-	-	-	-	(6 997)	-
Museums	1 678 994	-	(983 522)	695 472	23 597	-	(208 017)	-	(1 191 540)	566 052
Libraries	8 488 661	-	(6 230 940)	2 257 721	93 993	-	(354 753)	-	(6 585 693)	1 996 962
Halls	460 404	-	(25 105)	435 299	-	-	(56 976)	-	(82 081)	378 323
Management Services	543 418	-	(326 598)	216 820	-	-	(40 076)	-	(366 674)	176 744
Health Admin	20 154 622	-	(4 169 511)	31 672 710	37 798	-	(884 836)	(522 920)	(5 577 267)	30 302 752
Town Cleansing	26 777 155	-	(8 380 694)	18 396 460	135 147	-	(1 954 823)	-	(10 335 517)	16 783 554
Beach Mngement	22 150 914	-	(13 840 948)	8 309 966	110 417	-	(776 867)	-	(14 617 814)	15 098 424
Swimming Pool	609 610	-	(301 671)	307 939	-	-	(33 403)	-	(335 074)	274 536
Clinics	426 903	-	(37 502)	389 401	20 203	-	(37 112)	-	(74 614)	372 491
Protection Services	8 746 360	-	(7 974 965)	771 394	81 930	-	(196 162)	-	(8 171 127)	657 163
Fire Services	4 782 101	-	(4 262 172)	519 928	140 481	-	(81 260)	-	(4 343 433)	579 149
Policing	-	-	-	-	76 392	-	(10 119)	-	(10 119)	66 274
Security	150 464	-	(107 531)	42 932	-	-	(15 451)	-	(122 982)	27 481
Vehicle Licencing	321 956	-	(219 828)	102 128	118 705	-	(34 784)	-	(254 613)	186 048
Engineering Services	1 689 799	-	(1 646 457)	43 342	76 126	-	(19 039)	-	(1 665 496)	121 843
Cemetries	201 287	-	(186 507)	10 680 588	-	-	(12 929)	(355 527)	(554 963)	10 312 132
Public Works	122 944 054	-	(49 436 552)	85 974 866	429 399	479 282	(6 429 423)	(717 536)	(56 583 511)	79 264 856
Town Estate	36 080 453	-	(9 092 802)	364 229 301	-	-	(911 095)	(2 378 311)	(13 268 542)	348 974 744
Airport	2 193 670	-	(2 004 585)	189 084	46 697	-	(107 966)	-	(2 112 552)	127 816
Town Treasurer	13 614 856	-	(482 382)	13 132 474	1 492 189	-	(2 688 954)	-	(3 171 336)	11 935 710
Roads	5 436 158	-	(29 011)	5 407 148	3 574	-	(285 769)	-	(314 780)	17 913 937
Electricity	6 221 489	-	(35 266)	6 186 223	-	-	(183 939)	-	(219 205)	6 002 284
Housing Stock	1 289 411	-	(172 934)	1 116 477	-	-	66 303	-	(106 631)	1 182 779
	<b>378 272 183</b>	<b>36 044 636</b>	<b>(148 031 025)</b>	<b>606 303 579</b>	<b>100 368 988</b>	<b>8 910 635</b>	<b>(34 816 589)</b>	<b>(3 974 294)</b>	<b>(173 009 108)</b>	<b>747 581 809</b>

**APPENDIX D**  
**HIBISCUS COAST MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

2009 Actual Revenue	2009 Actual Expenditure	2009 Surplus/ (Deficit)	DESCRIPTION	2010 Actual Revenue	2010 Actual Expenditure	2010 Surplus/ (Deficit)
R	R	R		R	R	R
58 048 295	69 236 333	(11 188 038)	Council general	123 366 590	95 902 852	27 463 738
-	2 004 261	(2 004 261)	Municipal manager	-	1 752 402	(1 752 402)
498 357	4 160 299	(3 661 942)	Director operations	356 329	5 383 437	(5 027 108)
5 140	4 248 646	(4 243 506)	Economic development	2 270 462	8 081 966	(5 811 504)
2 925 261	6 924 518	(3 999 257)	Town planning and building control	5 255 569	9 328 518	(4 072 949)
153 585	6 004 936	(5 851 351)	Housing service administration	147 296	5 957 720	(5 810 424)
-	1 296 394	(1 296 394)	Internal audit	-	1 279 773	(1 279 773)
461	14 642 040	(14 641 579)	Council administration and political secretariat	116 063	14 048 207	(13 932 144)
126 119	700 257	(574 138)	Museum	-	5 041 884	(5 041 884)
134 820	4 928 561	(4 793 741)	Libraries	441 047	5 715 725	(5 274 678)
277 310	895 313	(618 003)	Town Hall	-	1 780 517	(1 780 517)
1 037 976	4 784 417	(3 746 441)	Management services and training	718 874	6 174 747	(5 455 873)
15 748 634	17 518 759	(1 770 125)	Health Administration	22 977 768	4 108 488	18 869 280
137 016	17 833 892	(17 696 876)	Beach Management	188 809	19 952 359	(19 763 550)
54 051	529 163	(475 113)	Swimming Pool	46 155	1 388 284	(1 342 129)
-	6 057 770	(6 057 770)	Clinic	3 006 660	7 895 290	(4 888 630)
13 070 881	91 028 125	(77 957 245)	Traffic	13 165 427	67 250 880	(54 085 453)
19 245 459	28 411 234	(9 165 775)	Cleansing and Maintenance	25 648 638	80 725 432	(55 076 794)
34 252	1 735 446	(1 701 194)	Cemeteries	28 354	437 748	(409 394)
-	27 659 198	(27 659 198)	Roads	-	22 292 432	(22 292 432)
3 360 845	3 064 563	296 282	Airport	3 091 356	3 371 211	(279 855)
26 543 534	29 454 196	(2 910 661)	Town treasurer	22 895 159	29 098 848	(6 203 689)
-	11 321	(11 321)	Stores	-	-	-
194 623 540	-	194 623 540	Assessment Rates	211 262 762	-	211 262 762
45 767 961	34 925 394	10 842 567	Electricity administration	59 837 896	44 816 036	15 021 860
6 811 432	80 522	6 730 910	Housing rentals	7 669 441	314 202	7 355 239
<b>388 604 930</b>	<b>378 135 558</b>	<b>10 469 373</b>	<b>Total</b>	<b>502 490 655</b>	<b>442 098 958</b>	<b>60 391 697</b>

**APPENDIX E (1)**  
**HIBISCUS COAST MUNICIPALITY**  
**ACTUAL VERSUS BUDGET (INCOME AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Actual	2010 Budget	2010 Variance	2010 Variance	Explanation of significant variances greater than 10% versus Budget
	R	R	R	%	
<b>REVENUE</b>					
Assessment rates	211 262 762	207 510 747	3 752 015	1.78%	
Penalties imposed and collection charges	69 933	70 000	(67)	-0.10%	
Service charges	85 474 434	73 931 844	11 542 590	13.50%	Due to an increase in rates
Rentals of facilities and equipment	2 168 011	2 085 055	82 956	3.83%	
Interest earned on external investments	11 311 897	16 000 000	(4 688 103)	-41.44%	Unexpected changes in rates
Interest earned on outstanding receivables	9 530 247	9 000 000	530 247	5.56%	
Fines	4 431 518	3 060 000	1 371 518	30.95%	Delay in fines payments by customers
Licences and permits	5 118 840	4 731 000	387 840	7.58%	
Agency services	2 916 056	2 700 000	216 056	7.41%	
Government grants and subsidies	155 703 490	66 450 800	89 252 690	57.32%	More expenditure on grants due to service delivery
Other income	14 502 703	9 357 449	5 145 254	35.48%	Increase of subsidy by Health subsidy
	<b>502 489 891</b>	<b>394 896 895</b>	<b>107 592 996</b>		
<b>EXPENDITURE</b>					
Employee related costs	193 210 760	176 140 130	17 070 630	8.84%	
Remuneration of councillors	13 932 113	15 615 678	(1 683 565)	-12.08%	Annual increase as per Gazette
Contribution to bad debts	6 057 131	5 180 000	877 131	0.00%	
Depreciation	39 146 953	20 000 000	19 146 953	0.00%	
Repairs and maintenance	24 254 889	27 312 638	(3 057 749)	-12.61%	Unexpected increase in prices of commodities
Interest paid	1 834 975	3 530 000	(1 695 025)	-92.37%	Changes in interest rates
Bulk purchases - Electricity	35 870 394	36 080 068	(209 674)	-0.58%	Increase in prices by Eskom
Contracted services	16 438 765	17 557 023	(1 118 258)	-6.80%	
Grants and subsidies paid	17 596 977	7 544 001	10 052 976	57.13%	Due to increase in government grants
General expenses	76 969 977	98 089 693	(21 119 716)	-27.44%	General increase in operating expenses
Audit fees	2 268 588	2 300 000	(31 412)	-1.38%	Substantial increase in audit fees by AG
Contribution to landfill site rehabilitation	3 140 000	3 400 000	(260 000)	-8.28%	
Write down of obsolete inventory	218 473	210 000	8 473	3.88%	
Loss on disposal of asset	54 244	53 400	844	1.56%	
Finance Costs	11 011 895	12 000 000	(988 105)	-8.97%	
Impairment Loss	92 824 000	150 000	(57 176)	0.00%	
	<b>442 098 958</b>	<b>425 162 631</b>	<b>16 936 327</b>		
<b>NET (SURPLUS) / DEFICIT FOR YEAR</b>					

### Grants and Subsidies Received

(\*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?